

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUCAR 00460 251121Z  
ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-08 CIAE-00 INR-07 NSAE-00  
/028 W

-----251131Z 035483 /20

R 251006Z JAN 77  
FM AMEMBASSY BUCHAREST  
TO SECSTATE WASHDC 1247

LIMITED OFFICIAL USE BUCHAREST 0460

E.O. 11652: N/A  
TAGS: EEWT, RO  
SUBJ: STUDY ON COMPENSATION ARRANGEMENTS

REF: 76 STATE 278286

1. WE BELIEVE STUDY ON COMPENSATION ARRANGEMENTS TO BE  
REMARKABLY THOROUGH AND BALANCED ANALYSIS. EFFORT IS ALL  
THE MORE ADMIRABLE GIVEN SKETCHINESS OF HARD INFORMATION  
ON CA'S.

2. WE WOULD OFFER ONLY FEW COMMENTS ABOUT RELATIVE MERITS  
OF CA'S AS OPPOSED TO JOINT VENTURES, ROLE OF COOPERATION  
IN CURRENT ROMANIAN TRADE, ACCESS TO CEMA MARKETS THROUGH  
CA'S AS WELL AS LOCAL PERSPECTIVE ON MULTILATERALISM.

A. CA'S VS. JOINT VENTURES. WE ARE DUBIOUS THAT  
JOINT VENTURE ON TERMS LIKELY TO BE AVAILABLE IN EE WILL BE  
REGARDED BY MAJORITY OF U.S. COMPANIES AS MORE SATISFACTORY  
VEHICLE FOR COOPERATION THAN CA (PAGE III-9). GIVEN EE'S  
UNWILLINGNESS (EXCLUDING POLAND) TO GRANT MAJORITY INTEREST  
TO WESTERN PARTNER, DEGREE OF WESTERN CONTROL IN JOINT VENTURE  
IS QUITE LIMITED AND FREQUENTLY, AS IN CASE OF GM NEGOTIATIONS  
HERE, IS REGARDED BY POTENTIAL WESTERN PARTNER AS INADEQUATE  
INCENTIVE TO JUSTIFY CAPITAL OUTLAY. WE WOULD AGREE THAT THERE  
IS SOME GREATER ABILITY OF FOREIGN PARTNER IN JOINT VENTURE TO  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUCAR 00460 251121Z

INFLUENCE USES OF TECHNOLOGY IT HAS PROVIDED (III-13) BUT THINK  
WESTERN FIRM CAN EXERCISE THROUGH TERMS OF ITS MARKETING CONTRACT  
REASONABLY EFFECTIVE CONTROL OVER QUANTIFY, QUALITY, AND PRICE  
OF COMPENSATION PRODUCTS (S-6). THESE CONCLUSIONS TEND TO BE  
SUBSTANTIATED BY ROMANIAN EXPERIENCE WHERE, DESPITE STRONG ROMANIAN  
ENCOURAGEMENT, ONLY SEVEN JOINT VENTURES HAVE BEEN NEGOTIATED SINCE  
1971.

B. SHARE OF CA'S IN TRADE. MFT INFORMED US LAST WEEK THAT 20 PERCENT OF TOTAL ROMANIAN TURNOVER IN 1976 RESULTED FROM COOPERATION. SHARE IN U.S.-ROMANIAN TRADE WAS, HOWEVER, ONLY 3-4 PERCENT, WHICH WOULD, OF COURSE, TRANSLATE INTO MUCH HIGHER PERCENTAGE OF U.S. PLANT AND EQUIPMENT EXPORTS SINCE THESE SUCH SMALL PART OF TOTAL (15 PERCENT OF TOTAL IN FIRST TEN MONTHS OF 1976.)

C. ACCESS TO CEMA MARKETS. WHILE CONTRACTS TYPICALLY PROVIDE THAT EE PARTNER WILL UNDERTAKE MARKETING WITHIN CEMA, THIS DIVISION OF RESPONSIBILITY HAS APPEARED MORE WORKABLE ON PAPER THAN IN PRACTICE.

FIVE-YEAR AND ANNUAL TRADE PROTOCOLS TEND TO FREEZE CATEGORIES OF GOODS

EXCHANGED BETWEEN CEMA MEMBERS. MOREOVER, WHEN CA ENTAILS HARD CURRENCY OUTLAY ROMANIA WILL INSIST ON RECOVERING THAT EXPENDITURE IN ITS TRADE WITH ITS CEMA PARTNERS, WHOM WE HAVE HEARD, SOMETIMES REJOIN THAT THEY WOULD PREFER TO PAY SOMEWHAT MORE AND GO DIRECTLY TO SOURCE IF HARD CURRENCY INVOLVED. ROMANIAN DIFFICULTY IN EFFECTING SALES OF ROMCONTROL DATA PRODUCTS WITHIN CEMA AND CLARK EQUIPMENT'S GYRATIONS IN SEEKING TO FACILITATE EXCHANGE OF ITS AXLES (MANUFACTURED IN POLAND) FOR ITS TRANSMISSIONS (TO BE PRODUCED IN ROMANIA UNDER LICENSE) ARE ILLUSTRATIONS OF PITFALLS IN INTRA-CEMA TRADE IN COOPERATION GOODS. IN SIMILAR CATEGORY OF LOGICAL AND APPEALING MYTHS IS STILL-TO-BE REALIZED ACCESS TO PRC MARKET THROUGH ROMANIA (III-3).

D. MULTILATERALISM VS. BILATERALISM. OVER MEDIUM TERM THERE HAS BEEN, AS STUDY CORRECTLY POINTS OUT, SHIFT TO MULTILATERALISM IN EE TRADE WITH WEST. TRADE BETWEEN ROMANIA AND INDUSTRIALIZED WEST OVER PART YEAR HAS, HOWEVER, WITNESSED RESURGENCE OF BILATERAL BALANCING. ROMANIAN FOREIGN TRADE OFFICIALS, INCLUDING PATAN, HAVE OPENLY ACKNOWLEDGED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUCAR 00460 251121Z

LEDGED EFFORT TO REDUCE HEAVY IMBALANCES. WE WONDER WHETHER CONSCIOUS

AND LARGELY SUCCESSFUL EFFORT OF OTHER REGIONAL COUNTRIES TO REDUCE DEFICITS WITH FRG IN 1976 ISN'T INDICATIVE OF EE TENDENCY TO REVERT TO

BILATERALISM AS BALANCE OF PAYMENTS COMES UNDER INCREASING PRESSURE. BARNES

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EAST WEST TRADE, COMPENSATION, STUDIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 25-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BUCHAR00460  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770026-0731  
**Format:** TEL  
**From:** BUCHAREST  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770122/aaaaasyw.tel  
**Line Count:** 106  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** f97d9ed1-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION COME  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 278286  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 09-Mar-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3515254  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** STUDY ON COMPENSATION ARRANGEMENTS  
**TAGS:** EEWT, RO, US  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odhc://SAS/SAS.dbo.SAS\_Docs/f97d9ed1-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009